

NONPROFIT AND/OR PUBLIC ENTITIES

Nonprofit Entities

Nonprofit entities are subject to Unemployment Insurance (UI), State Disability Insurance (SDI), Employment Training Tax (ETT), and state Personal Income Tax (PIT) withholding. However, nonprofit entities that have an exemption under Section 501(c)(3) of the Internal Revenue Code (IRC) have a choice in the method of financing their unemployment costs. A nonprofit entity may elect to:

- Pay the same UI taxes as those paid by commercial employers (tax rate method), or
- Reimburse the State for the full cost of all UI benefits paid to their former employees (reimbursable method).

To elect the reimbursable method, a nonprofit employer must file a Selection of Financing Method by a Nonprofit Organization (DE 1SNP), as well as the Registration Form (DE 1NP), when registering. If the DE 1SNP is filed at a later date, it will be effective the first day of the quarter in which it is filed.

Special Exclusions - Nonprofit Entities

The following persons who work for religious, charitable, educational and other nonprofit organizations described in Section 501(c)(3) of the IRC are excluded from UI and SDI coverage:

- Persons in the employ of a church or convention or association of churches.
- Persons in the employ of an organization operated primarily for religious purposes and which is operated, supervised, controlled, or principally supported by a church or convention or association of churches.
- Duly ordained, commissioned, or licensed ministers in the exercise of their ministry. (Also excluded from PIT withholding.)

- Members of religious orders in the exercise of duties required by such order. (Also excluded from PIT withholding.)
- Persons receiving rehabilitative or compensative work in a program conducted for persons with an impairment and who cannot be absorbed in the competitive labor market.
- Persons receiving work-relief or work-training in a program financed by any federal agency or agency of a state or political subdivision.
- Inmates of a custodial or penal institution.
- Persons under 18 in delivery or distribution to ultimate consumers of newspapers or shopping news.
- Persons selling newspapers or magazines to ultimate consumers if compensation is based on retention of the excess of sale price over fixed cost from supplier.
- Persons performing services if the compensation is less than \$50 in a calendar quarter.

Nonprofit entities that have an exemption under Section 501(c)(3) of the IRC may elect coverage for UI and SDI for exempt workers listed above, either for all such workers or each specific type of worker.

For additional information on elective coverage request "Information Sheet: Specialized Coverage" (DE 231SC).

Public Entities

Public entities include:

- State of California
- County
- City

- District
- Public agency
- Public authority
- School district
- Community college
- Instrumentalities of this state or one or more states

A public entity **must** withhold PIT and provide for UI coverage through a tax rated or reimbursable financing program.

SDI withholding is not required but coverage may be extended upon request under certain circumstances. For additional information refer to "Information Sheet: Specialized Coverage" (DE 231SC).

Special Exclusions - Public Entities

The following employees of public entities are excluded from UI and SDI coverage:

- Elected officials (elected officials are not considered employees of the government entity).
- Members of legislative bodies or the judiciary.
- Members of the State National Guard or Air National Guard, except persons who render such services as regular State employees.
- Individuals hired on a temporary basis in case of fire, storm, snow, earthquake, flood, or similar emergency.

- Officials in major nontenured policymaking or advisory positions.
- Individuals in policymaking or advisory positions whose duties do not require more than eight hours per week.
- Duly ordained, commissioned, or licensed ministers in the exercise of their ministry. (Also excluded from PIT withholding.)
- Members of religious orders in the exercise of duties required by such order. (Also excluded from PIT withholding.)
- Persons receiving rehabilitative or compensative work in a program conducted for persons with an impairment and who cannot be absorbed in the competitive labor market.
- Persons receiving work-relief or work-training in a program financed by any federal agency or agency of a state or political subdivision.
- Inmates of a custodial or penal institution.
- Persons under 18 in delivery or distribution to ultimate consumers of newspapers or shopping news.
- Persons selling newspapers or magazines to ultimate consumers if compensation is based on retention of the excess of sale price over fixed cost from supplier.

Public entities may elect coverage for UI for exempt workers listed above, either for all such workers or each specific type of worker.

Equal Opportunity Employer/Program. Auxiliary services and assistance available to persons with disabilities.